



MEMORANDUM

TO: Members of the Legislative Subcommittee of the ICOC

FROM: C. Scott Tocher, Counsel to the Chair

RE: “American Invents Act” – HR 1249 and S 23

DATE: June 2, 2011

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As a fundamental tenet of CIRM’s policies on intellectual property since the creation of the agency, CIRM retains no ownership of inventions made with CIRM funding. In fact, CIRM’s policies embody the notion that CIRM grantees and loan recipients are best situated to determine how best to exploit CIRM-funded inventions, and therefore vests with them the responsibility to determine whether and when to prosecute a claim for a patent on the invention. Nevertheless, CIRM’s interest in the health and productivity of the patent system in general is clearly a vital interest of the agency. CIRM’s mission requires dual goals of academic openness and the need to bring scientific advances to the public via commercialization. A robust and fair patent system will ensure that the fruit of CIRM-funded research is propelled through the development process and reaches patients.

On Tuesday, March 8, 2011, the United States Senate passed the America Invents Act (S 23) by a resounding vote of 95 to 5. H.R. 1249 was passed by the House Judiciary Committee on April 14, 2011, by a vote of 32-3, and President Obama has already indicated his endorsement. The full House will likely vote on the measure in the coming weeks, though a vote has yet to be scheduled. The America Invents Act is intended to reduce backlog at the U.S. Patent and Trademark Office, and represents the first substantive reform to U.S. patent law since 1952. Though the Act will likely undergo additional changes in the coming weeks, all indications are that it will include the following substantive reforms.

First-to-File

For the first time since its genesis in 1790, U.S. patent law will award patents to the first person to file for a patent rather than to the first person to arrive at an invention. All other major patent offices in the world already award patents on a first-to-file basis. Though

equitable, the first-to-invent system leads to disputes that the Patent Office has been forced to resolve through complicated Interference proceedings. Under the new system, filers will still have to show possession of the invention, and will still have to establish novelty. They will not, however, face concerns that others may have arrived at the invention first and simply not have filed yet. There will no longer be Interference proceedings, and applicants will no longer be able to "swear behind" prior art cited against them by giving evidence that, despite their later filing date, they arrived at the invention first.

Proponents of the first-to-file system say that it will simplify the process of acquiring patent rights, while opponents claim that a first-to-file system will harm small businesses and individual inventors, who will not necessarily have the resources to win a race to the patent office. Perhaps recognizing the debate surrounding this change, S. 23 provides for a study to determine the effect that the move to first-to-file would have on small businesses, with a report to be made no later than one year after enactment. Meanwhile, the provisions relating to the switch would not take effect until 18 months after enactment.

If enacted, this provision almost certainly will face a legal challenge in light of the United States Constitution's provision that "Congress shall have power ... To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." To the extent that a first-to-file system awards a patent in some cases *not* to an "inventor" in the common understanding of that word, but to a person who is first to file, critics argue the legislation is constitutionally infirm.

This is by far the Act's most significant change, and will likely increase the pressure for all entities to file for patent rights as soon as an invention is made. This change will also increase the risk in electing to forego patent rights in favor of maintaining an invention as a trade secret. Most likely this measure will not be retroactive, and will not affect applications on file prior to passage of the Act.

Third-Party Challenges

The Act attempts to make examination more robust through the involvement of third parties. Under current law, third parties may challenge issued patents by submitting a request for reexamination based on specific published prior art. These requests can be either *ex parte*, where the requestor's involvement ceases upon submitting the request, or *inter partes*, where the requestor is able to counter the patentee's arguments for affirmation and reissue. While these procedures will remain intact, the Act will provide additional avenues for third-party involvement. First, the Act designates a nine-month post-grant window during which parties may challenge an issued patent on grounds that cannot be considered in reexamination, such as indefiniteness, inventorship and individual testimony. Second, the Act allows third parties to submit prior art along with an explanation of the art's relevancy to the Patent Office during the examination of an

application. Such prior art submissions are currently allowed only in limited circumstances, and not with an accompanying explanation of relevance.

Changes to Who Can File a Patent Application

Under current law, only inventors are allowed to file patent applications. The Senate bill would allow the owner of a patent application (such as the inventor's employer) to file the patent application. Under the proposed changes, the owner of the application would also be allowed to execute the required inventor's oath or declaration if the inventor refused to do so.

Creation of a Supplemental Examination Procedure

Passage of the Senate bill into law would create a new supplemental examination procedure allowing patent owners to present additional information to the PTO during the life of the patent. Patent owners who use the procedure would be insulated against later claims of inequitable conduct to the extent they were based on the information considered by the PTO during the supplemental examination.

Proponents: (not an exclusive list)

3M

Abbott

Air Liquide

Air Products

American Intellectual Property Law Association (AIPLA)

AstraZeneca

BP

Baxter Healthcare Corporation

Beckman Coulter

Boston Scientific

Bridgestone Americas Holding, Inc.

Bristol-Myers Squibb

Cargill, Inc.

Caterpillar

CheckFree

Cummins Inc.

Dow Chemical Company

DuPont

Eastman Chemical Company

Electronics for Imaging

Eli Lilly and Company

Exxon Mobil Corporation

General Electric

General Mills

Genzyme

GlaxoSmithKline
Henkel Corporation
Hoffman-La Roche
Illinois Tool Works Inc.
Johnson & Johnson
Medtronic
Merck
Millennium Pharmaceuticals, Inc.
Milliken & Company
Motorola
Northrop Grumman Corporation
Novartis
Patent Café.com, Inc.
PepsiCo, Inc.
Pfizer
Procter & Gamble
SanDisk Corporation
Sangamo BioSciences, Inc.
Texas Instruments
USG Corporation
United Technologies
Weyerhaeuser
Zimmer

Opponents: (not an exclusive list)

American Innovators for Patent Reform
American Institute for Medical & Biological Engineering
America Invents Act 2011 Organization
Coalition for Patent Fairness (CPF)
Computer & Communication Industry Association
CONNECT
Eagle Forum
Institute of Electrical and Electronics Engineers
International Federation of Professional and Technical Engineers
IP Advocate
The National Association of Patent Practitioners
The National Congress of Inventor Organizations
National Venture Capital Association (NVCA)
The National Small Business Association
Patent Office Professional Association
The Professional Inventors Alliance
The Small Business Coalition on Patent Legislation
The TPL Group
The Union of U.S. Patent Examiners
U.S. Business and Industry Council